Supreme Court, U. S.
FILED
APR 17 1972
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1972

NO. 71-1338

CHARLES E. COMPTON and
POLAN INDUSTRIES, INC., Petitioners

v.

METAL PRODUCTS, INC., Respondent

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT AND APPENDIX

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METAL PRODUCTS, INC., Respondent

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioners, Charles E. Compton and Polan Industries, Inc., pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit, entered December 16, 1971 (petition for rehearing denied February 18, 1972), reversing the judgment of the United States District Court for the Northern District of West Virginia and holding Compton United States Patent No. 2,760,255 invalid for obviousness under 35 U.S.C. 103 and three other United States patents, Nos. 2,594,256; 2,784,955 and 2,719,708 unenforceable because of misuse.

OPINIONS BELOW

The Opinion of the Fourth Circuit Court of Appeals is reported at 453 F. 2d 38, and is reprinted in Appendix B hereto, p. 43. In the District Court, the case was tried before a Special Master whose report, adopted by the District Court in its final judgment, is reprinted in Appendix A attached hereto, p. 17 along with the final judgment itself.

JURISDICTION

The judgment of the United States Court of Appeals for the Fourth Circuit was entered on December 16, 1971 at No. 15,248 therein, reversing the judgment of the United States District Court for the Northern District of West Virginia holding each of Patent Nos. 2,760,255; 2,594,256; 2,719,708 and 2,784,955 valid and infringed. The District Court found that the Plaintiffs had not misused the patent monopoly granted under any of these patents.

A timely petition for re-hearing was filed; but on February 18, 1972 that petition was denied.

The jurisdiction of this Court is invoked under 28 U.S.C. 1254.

QUESTIONS PRESENTED

1. Whether the doctrine of misuse of patents, based upon the illegal extension of a patent monopoly, applies not only to patent license agreements but also to assignments of patents (or exclusive licenses tantamount to assignments) when an assignment can convey no greater rights than those granted by the United States to the assignor?

2. Whether, in a case involving a license agreement granting an exclusive right to "repair and rebuild" patented subject matter, the Learned Court below acted in a way in conflict with applicable decisions of this Court when it decided that "rebuilding" is something different than "reconstructing" and decided that in no case can a patent license be given to repair, even when the repair is done under a method patent?

3. Whether, in the light of the applicable decisions of this Court, misuse of patents can be found in a collateral attack on an overall agreement for the sale of a business ancillary to the license agreement?

4. Whether, in the light of the applicable decisions of this Court, the Learned Court below erred in overturning the long-established law on restrictive covenants coupled with the sale of a business?

5. Whether the Learned Court below, in declaring Patent No. 2,760,255 invalid under 35 U.S.C. 103, misconstrued and did not understand the distinction between the prior art and the patented invention?

STATUTES

35 U.S.C. 103 — *Conditions for Patentability; Non-Obvious Subject Matter.*

A patent may not be obtained though the invention is not identically disclosed or described as set forth in Section 102 of this Title, if the difference between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

15 U.S.C. 1 — *Trusts, etc. in restraint of trade illegal; exception of resale price agreements; penalty*

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal; *Provided,* that nothing contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trademark, brand, or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which such resale is to be made, or to which the commodity is to be transported for such resale, and

the making of such contracts or agreements shall not be an unfair method of competition under section 45 of this title: *Provided further,* That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or corporations in competition with each other. Every person who shall make any contract or engage in any combination or conspiracy declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, U.S.C., 1, 26 Stat. 209; Aug. 17, 1937, c. 690, Title VIII, 50 Stat. 693; July 7, 1955, c. 281, 69 Stat. 282.

STATEMENT OF THE CASE

In the District Court proceedings, Petitioners brought suit against Respondent for infringement of United States Patent Nos. 2,760,255; 2,594,256; 2,719,-708 and 2,784,955, asking for an injunction against further infringement and an accounting for damages. In its amended Answer, Respondent denied infringement, asserted invalidity of the patents because of various defenses including obviousness under 35 U.S.C. 103, and asserted unenforceability of the patents because of misuse by virtue of certain agreements between the patentee, Compton, and Joy Manufacturing Company, as well as agreements between Joy Manufacturing Company and Polan Industries, Inc.

The case was referred by the District Court to a Special Master, William Frank Keefer of Wheeling, West Virginia, to hear the evidence and make findings of fact and conclusions of law under the provisions of Rule 52 of the Federal Rules of Civil Procedure.

Discovery was made and the action was tried before the Special Master who, on March 24, 1970, entered findings of fact and conclusions of law finding all patents in suit to be valid and infringed by the Respondent and that none of the patents involved in the suit was invalid or unenforceable by reason of misuse of the monopoly granted thereby. Final judgment by the District Court was entered on August 3, 1970 affirming the findings of fact and conclusions of law set forth in the Master's report.

Respondent appealed to the United States Court of Appeals for the Fourth Circuit from the final judgment

of the District Court that United States Letters Patent No. 2,760,255 was valid and infringed by the Respondent. No appeal was taken from the judgment of the District Court that Patent Nos. 2,594,256; 2,784,955 and 2,719,708 were valid and infringed, but appeal was taken, as to all patents, on the findings of no misuse. The Court of Appeals reversed the decision of the District Court finding:

1. That Compton Patent No. 2,760,255 was invalid for obviousness, 35 U.S.C. 103, on the basis that the invention claimed therein constituted only the provision of the slots shown in the Hohlfeld German patent in the helix-forming method shown in U. S. Gredell Patent 1,738,944.

2. That Paragraph 15 of the license agreement between Compton and Joy Manufacturing Company was an unreasonable restraint of trade constituting a misuse of patents by virtue of the fact that Compton agreed not to compete with regard to certain unpatented items, notwithstanding the fact that this provision was part and parcel of the sale of a going business.

3. That the sales agreement entered into between Joy Manufacturing Company and Polan Industries, Inc. unlawfully extended the monopoly granted by the Compton patents.

REASONS FOR GRANTING THE WRIT

1. The Learned Court below applied the doctrine of misuse of patents, heretofore applied only to patent licenses, to assignment of patents (or exclusive licenses tantamount to assignments) for a lump sum payment, notwithstanding the fact that the Court acknowledged the fact that under an assignment an assignor can assign no greater rights than those granted to it by the United States.

The Honorable Court below erred in concluding that by the Joy-Polan agreement, Joy has attempted to grant to Polan exclusive rights as to augers of the general type formerly manufactured by Compton. The only exclusive rights given under the agreement are contained in Paragraph 1, Subparagraph D (recited in the Opinion of the Court of Appeals) where Joy effectively assigns to Polan in and all rights which it may have under the patents as follows:

> "D. The exclusive right to make, use, sell, lease, service, repair and rebuild augers throughout the world incorporating therein all of the inventions described and claimed in any and all United States patents listed in Schedule B attached hereto."

The Court's decision seems to imply that Joy gave to Polan the exclusive right to make any augers, regardless of whether they may be covered by patents or not. However, this flies in the face of the express provisions of Paragraph D which grants an exclusive license to make, use, etc.:

> "Augers throughout the world incorporating therein all the inventions described *and claimed* in any

and all United States patents, etc." (emphasis added)

Thus, the right is not extended to all augers as the Court states but only to those augers "claimed" in United States patents. Furthermore, the clause limits the exclusive right as follows:

"The exclusive rights herein granted to Polan shall be for the full remaining term of each of the patents listed in Schedule B."

Therefore, it is amply evident that the exclusive right is only granted on those augers "claimed" in patents and that once a patent expires, the exclusive right also expires. This clearly does not extend the monopoly.

As the Joy-Polan agreement was originally drafted, an entire business was sold to Polan, and compensation for this was in part by payment of a percentage of the sales of augers sold by Polan in the purchased business. Later, this was changed whereby Polan agreed to pay a lump sum, irrespective of the amount of augers sold. In its decision, the lower Court implies that the agreement does not constitute a patent license agreement but rather a sales agreement and assignment of all rights under certain patents, and amounts to an assignment of the patents themselves. The Court states, however, that even though the agreement could be considered the equivalent of an assignment, "Joy could not assign more than it had". This is true; however if Joy could not assign more than it had, then how could it possibly extend the monopoly granted under the patents?

In the present case, the exclusive license granted by Joy to Polan was eventually paid for by a lump sum pay-

ment. However, even though the payments for the exclusive license or assignment are made based upon sales of items totally unrelated to the patent, the point is that this does not extend a monopoly. The exclusive licensee or assignee has the same rights as the former owner, no more no less, and this regardless of the manner in which the rights are paid for.

2. The Learned Court below acted in a way in conflict with applicable decisions of this Court when it decided that "rebuilding" is something different than "reconstructing" and decided that in no case can a patent license be given to repair, even when the repair is done under a method patent.

In its decision, the Court below states that the patent law does not give Joy the power to *repair and rebuild* even patented augers, citing *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961). In that case, this Court clearly spells out that in the case of a patent covering an article or machine, for example, legitimate "repairs" can be performed on the article or machine without infringement; while "reconstruction" of the patented entity cannot. The terms "reconstruct" and "rebuild" are synonymous, both in common English usage and in patent law. For example, the term "reconstruct" is defined in Webster's New International Dictionary, 2nd Edition (1953) as "to construct again; *to rebuild* . . .". See, also, *Wilson v. Simpson et al*, 9 Howard 107, where this court stated:

> ". . . when the material of the combination ceases to exist, in whatever way that may occur, the right to renew it depends upon the right to make the invention. If the right to make does not exist, there is

no right to *rebuild* the combination". (emphasis added)

The decision of the Court below, in interpreting "rebuild" as something different than "reconstruct" as set forth in *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc., supra,* has cast a cloud over the meaning of these terms as applied to patent license agreements in view of the prior decisions of this Court.

While ordinary repair of a patented entity is permissible and does not fall within a patent monopoly, this does not apply to method patents where the patented process can be used in many cases for either a repair or in the construction of a new device. *Goodyear Dental Volcanite Co., v. Pretere,* C.C.N.Y., 10 F. Cas. No. 5, 596. The method covered by at least one of the Compton patents, 2,760,255, can be used both to repair old augers and to construct new ones. For that matter, certain method patents are applicable only to repairs.

It is for this reason that the term "repair" was used in the Joy-Polan agreement. However, even if the case were otherwise, it must be remembered that the agreement assigns the right to repair augers "incorporating therein all of the inventions described *and claimed",* etc. If a repair does not constitute an infringement, then it cannot be claimed as required by the agreement. In its decision, the Court below has seized upon the one word "repair" without regard to the other provisions of the paragraph in which it appears.

Here, again, the Court's decision casts a cloud over the licensing of repairs made by a patented process and the issue should be clarified.

3. The Honorable Court below was in error in finding that a misuse of patents can be found in a collateral attack on an overall agreement for the sale of a business ancillary to the license agreement.

In its decision, the Court found that the provisions of Paragraph 15 of the Joy-Compton agreement constituted an unreasonable restraint of trade since, according to the Court, a time limitation of twenty years is too long and the covenant not to compete is not limited as to territory.

Petitioners believe that the Court's interpretation of Paragraph 15 is incorrect; however, even if it could be assumed, *arguendo,* that the covenant was unreasonable in connection with the sale of a going business, it was part consideration for the sale of a business and not for a license under the patents. Being part of the sale of a business, it should not affect the question of misuse of patents, notwithstanding the fact that the provision is found in the same document which licenses the patents. It would appear that the Learned Court below is attempting to make a collateral attack on the patents because of alleged unreasonable restraint in a contract ancillary thereto. This is unprecedented and further complicates the task of attempting to draft patent license agreements in the maze of misuse doctrines. Certainly, the framers of the misuse doctrine and this Honorable Court did not intend that it be applied in such a highly technical manner, without resort to a reasonable interpretation of the contract in light of the surrounding circumstances.

4. The Learned Court below erred in overruling the long-established law on restrictive covenants coupled with the sale of a business.

The Court below, in its decision, finds that if the provisions of Paragraph 15 of the Joy-Polan agreement were part of a sale of a going business, they would nevertheless constitute an unreasonable restraint of trade. Apparently this is for the reason that the Court considers the time period of the covenant to be too long and is not limited as to territory. However, as regards the territorial limitation, this same Lower Court, in *National Homes Corporation v. Lester Industries, Inc.*, 404 Fed. 225 (1968), held that a restrictive covenant covering the entire United States was not in restraint of trade. Also, with regard to Paragraph 3 of the Joy-Compton agreement, the Court below agrees that the words "throughout the world" should be limited in view of the surrounding circumstances. Why, then, should Paragraph 15 be so rigidly construed? The general rule is that the restriction will be considered illegal only if greater than the business and goodwill purchased, *Corbin on Contracts,* Section 1387. In the present case, Joy Manufacturing Company sells equipment and operates plants in various countries throughout the world; and the sale of the business was coupled with an assignment of patent rights in a number of countries. As the District Court stated in *Burton, Parsons and Co. v. Parsons,* 146 F. Supp. 144 (1956) with respect to a covenant not to compete, unrestricted as to territory:

> "This Court is not impressed by the argument that the territory mentioned in the agreement must be construed as unreasonable because it included the entire world. Under the circumstances of this case,

> a reasonable interpretation of the agreement is that it was intended to protect plaintiff against competition in the United States what plaintiff has done and is now doing business."

Similarly, a reasonable interpretation of Paragraph 15 is that it is intended to protect Joy only where it has done and is now doing business. Here, again, the decision of the Court below only complicates and creates confusion as regards covenants not to compete, taking an extremely technical interpretation of the covenant without considering the surrounding circumstances in light of reasonableness.

5. The Learned Court below, in declaring Patent No. 2,760,255 invalid under 35 U.S.C. 103 misconstrued and did not understand the distinction between the prior art and the patented invention.

The Court below erred in holding Patent No. 2,760,-255 invalid on the basis that the references to Henry, Sibley and Hohlfeld show that it is common to provide slits or slots in the metalworking art to facilitate bending. The only purpose of the slit used by Henry is to facilitate the springing of a washer into position over a crank. The only purpose of the cuts 28 in the Sibley patent is to form individual vanes 36 as shown in Fig. 4 of the Sibley drawings. Contrary to what the lower Court states in its decision, the patent to Hohlfeld clearly does not teach alleviating lines of stress by cutting notches or slits. The purpose of the notches in the German patent is not to relieve stresses but rather (1) to eliminate dislocations or upsetting at the inner periphery of a strip, (2) to prevent useless accumulation of material at the

inner diameter of the spiral and (3) to reduce the weight of the spiral. This has nothing whatever to do with relieving stresses in metal but is rather concerned with the problems encountered in attempting to wind a strip, on its edge, around a central tube. If slits were cut in Hohlfeld to relieve stresses, they would be cut in the outer periphery, not in the inner periphery since this is where all the stress occurs.

Furthermore, and perhaps more importantly, is the fact that none of the references to Henry, Sibley or Hohlfeld is concerned with the basic process contemplated by Compton, which is stretching discs along a tube in order to form a spiral. It is true that the patent to Gredell teaches such a method with discs which do not contain slits. The Gredell method, however, requires the use of expensive roll-forming equipment; whereas it is the purpose of the Compton invention to eliminate the necessity for any forming equipment whatever.

The Court has stated, in effect, that it would be "obvious" to one having ordinary skill in the art to slit the discs of Gredell before they are formed into a spiral by a roll-forming machine. Since, however, slits are unnecessary with a roll-forming machine, it can hardly be said that it would be obvious to provide them, even when considered with the secondary references.

The Honorable Court Below, stated that:

> "The fact that the Hohlfeld triangular slots compress into slits when wound around a central shaft, and the Compton slits open to triangular slots when stretched along a central shaft, is a distinction without a difference in light of Section 103."

This is a clear misunderstanding by the Court below of the engineering principles involved. Common sense should tell one that when an attempt is made to wrap a ribbon around a shaft as in the German Hohlfeld patent, the stress is in the outer periphery of the strip, not the inner periphery. Therefore, if any slits were provided in Hohlfeld to relieve stress, they would be in the outer periphery, which is not the case. With all due respect to the Court below, this common engineering principle was apparently completely overlooked or probably not understood.

CONCLUSION

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted.

Respectfully,

BROWN, MURRAY, FLICK & PECKHAM

By .....

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APPENDIX A

IN THE
UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF WEST VIRGINIA

CHARLES E. COMPTON,
JOY MANUFACTURING COMPANY
and POLAN INDUSTRIES, INC.
Plaintiffs
v.
METAL PRODUCTS, INC.
Defendant

Civil Action No. 803-F

Final Judgment

This cause coming on to be heard on the pleadings, upon the evidence offered by the Plaintiff and the Defendant before a Special Master pursuant to Rule 53 of the Federal Rules of Civil Procedure, upon the briefs presented in behalf of the parties, upon Defendant's Objections to the Master's Report, and the Court having fully considered the matter and having affirmed the findings of fact and conclusions of law set forth in the Master's Report, it is hereby

ORDERED, JUDGED and DECREED that:

1. The Plaintiff, Polan Industries, Inc.* is the exclusive licensee under United States Patent Nos. 2,594,-256; 2,760,255; 2,784,955 and 2,719,708 and has the sole right to assert any and all patent rights under said patents.

*Now merged into and a part of Republic Corporation, a corporation of Delaware.

2. Compton United States Patent No. 2,594,256 is a valid patent.

3. Compton United States Patent No. 2,760,255 is a valid patent.

4. Compton United States Patent No. 2,784,955 is a valid patent.

5. Compton United States Patent No. 2,719,708 is a valid patent.

6. The Defendant, Metal Products, Inc., has infringed claims 1, 2, 4 and 6, inclusive, of Compton Patent No. 2,594,256.

7. The Defendant, Metal Products, Inc., has infringed claims 1-3, inclusive, and claims 5-10, inclusive, of Patent No. 2,760,255.

8. The Defendant, Metal Products, Inc., has infringed all claims of Patent No. 2,719,708.

9. The Defendant, Metal Products, Inc., has infringed claims 5-11, inclusive, of Compton Patent No. 2,784,955.

10. Until the respective patents set forth in Paragraphs 3, 4 and 5 above expire, the Defendant, Metal Products, Inc., and all officers, employes and other persons acting by or in concert with the Defendant are hereby enjoined and restrained from making, having made, using or selling directly or indirectly any of the equipment covered by the claims of said patents set forth above. This injunction does not apply to Patent No. 2,594,256 which is now expired.

11. The Plaintiff, Polan Industries, Inc., shall have an accounting as provided for in 35 U.S.C. 284 for dam-

ages for past infringement of Compton Patent Nos. 2,594,256; 2,719,708; 2,760,255 and 2,784,955 by the Defendant.

12. The counterclaim for declaratory judgment presented by the Defendant is dismissed.

13. The Plaintiff, Polan Industries, Inc., shall recover its costs in this action, but not its attorney's fees, from the Defendant.

SIDNEY L. CHRISTIE
United States District Judge

Date: August 3, 1970

APPROVED AS TO FORM:
THOMAS H. MURRAY
Attorney for Plaintiffs

Date: July 31, 1970

E. F. WELSH
Attorney for Defendant

Date: July 31, 1970

I hereby certify that the annexed instrument is a true and correct copy of the original on file in my office. Attest: Thomas F. Stafford, Clerk, U. S. District Court, Northern District of West Virginia

BY: GERTRUDE D. LUCAS
Deputy Clerk

Revised Report of William Frank Keefer, Special Master

To the Honorable Sidney L. Christie, Judge:

The above entitled action was, pursuant to the provisions of Rule 53 F.R.C.P. by an Order entered by your honor on the 15th day of November, 1968, referred to the undersigned as Special Master "to hear the evidence and make findings of fact and conclusions of law as soon as practicable;" and to report to your honor "with reasonable dispatch."

Pursuant to said Order of Reference, and of the Federal Rules of Civil Procedure, I prepared and mailed to each party appearing of record or to their attorneys of record a notice setting the 4th day of December, 1968, at the hour of ten o'clock in the forenoon, as the time, and my office in the City of Wheeling, in said Northern District of West Virginia, as the place, at which I would begin the execution of said Order of Reference.

At said time and place, there appeared —

Thomas H. Murray, Esq., on behalf of the plaintiffs;

Edward F. Welsh, Esq., and

W. Paul McWhorter, Esq., on behalf of the defendant.

Subsequent hearings were held at Wheeling, pursuant to agreements of counsel, on January 28 and 29, 1969, March 4, 5 and 6, 1969, at all of which evidence was introduced.

Thereupon, at the request of the Special Master, both parties, by their attorneys, prepared and filed with

the Special Master, briefs setting forth their several views of the law and the evidence.

The Master then prepared his Report and filed it in this Court on October 14, 1969.

Objections to said Report were filed on behalf of the defendant and a proposed substitute report of Findings of Fact and Conclusions of Law were prepared and presented on behalf of the plaintiffs.

The Court set the same for hearing on December 23, 1969, and at the hearing held in Court on that day the Court entered an Order recommitting the matter to the Special Master for the purpose of recasting said report with detailed and adequate findings of fact and conclusions of law, either in the form of a completely new report or in the form of a supplemental report to the report already filed.

Accordingly, the Special Master, having performed the duties directed by said Order, now makes his Revised Report as follows:

FINDINGS OF FACT

I. Plaintiff, Charles E. Compton, is an individual, a citizen of the United States and the State of West Virginia, having his principal residence in Bridgeport, West Virginia.

II. Plaintiff, Joy Manufacturing Company, is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal place of business in Pittsburgh, Pennsylvania.

III. Plaintiff, Polan Industries, Inc., is a corporation organized and existing under the laws of the State

of West Virginia, having its principal place of business in Huntington, West Virginia. Plaintiff, Polan Industries, Inc., presently manufactures and sells auger mining machines, auger mining machine heads, screw conveyors and parts therefor. Said auger mining machine business was purchased by Plaintiff, Polan Industries, Inc. from Plaintiff, Joy Manufacturing Company, which previously had purchased said business from Charles E. Compton and Compton, Inc. of Bridgeport, West Virginia.

IV. Defendant, Metal Products, Inc., is a corporation organized and existing under the laws of the State of West Virginia, having its principal place of business in Clarksburg, West Virginia. Defendant manufactures and sells auger mining machine heads, screw conveyors, and other parts for auger mining machines in competition with Plaintiff, Polan Industries, Inc.

V. This Court's jurisdiction is based on Title 35, United States Code, Section 271, et seq., and Title 28, United States Code, Section 1338(a) and 1400(b).

VI. On April 22, 1952, United States Letters Patent No. 2,594,256 were issued to Charles E. Compton for a mining machine head. Said patent relates to a mining machine head having a rotatable, generally cylindrical cutter element provided with a material passage therethrough and having cutting bits mounted thereon at its forward end, and an inner breaker element substantially coaxial with the cutter element and at least partially disposed therein and facing in the same direction. The inner element also has cutting bits mounted at its forward end and is provided with radially outwardly extending

breaker bars which serve to fracture coal or other friable material as the cutter head advances.

VII. On August 28, 1956, United States Letters Patent No. 2,760,255 were issued to Charles E. Compton for a method of making a screw conveyor. Said patent relates to a method wherein a disc having a central opening therein is provided with a plurality of radially extending slits, one of which extends to the periphery of the disc. In forming a screw conveyor, the disc is disposed about a central shaft and the edges of the slit extending completely to the periphery of the disc are separated generally parallel to the axis of the shaft, thereby stretching the disc into a generally helical configuration. The slits are designed to permit pulling out of the helix in an axial direction without undue stresses at the inner periphery of the conveyor.

VIII. On March 12, 1957, United States Letters Patent No. 2,784,955 were issued to Charles E. Compton for a mining machine head. Said patent relates to a generally cylindrical, rotatable mining cutter head having a transverse opening in its side wall extending helically to the rearward end of the head to permit material within the cutter element to project transversely through helical opening and immediately engage the face of the bore formed in the material being mined by the cutter head as it rotates and advances. In this manner, the mined material within the cutter element is brought into engagement with the face of the bore being formed, whereby the tendency of the mined material to cling to the inside of the cutter element and rotate therewith due to centrifugal force is inhibited, while the material is

caused to be efficiently delivered backwardly through the cutter element to a screw conveyor.

IX. On October 4, 1955, United States Letters Patent No. 2,719,708 were issued to Charles E. Compton for a pan guideway for a rotary mining head. The said patent relates to a pilot pan at the end of an auger mining machine which guides the mining head as it is propelled to and into a body of material to be mined.

X. United States Letters Patent Nos. 2,616,677; 2,764,397; 2,719,029; 2,719,708 and 3,083,955 were issued to Charles E. Compton. Plaintiff does not allege infringement of these patents; however Defendant asks for a declaratory judgment of invalidity and/or unenforceability of these patents on the basis that said patents were at one time alleged to be infringed by a complaint which was subsequently amended to delete the charge of infringement of these patents.

XI. On or about August 1, 1960, Charles E. Compton, by written instrument, granted to Joy Manufacturing Company an exclusive license under various patents including said United States Letters Patent Nos. 2,594,256; 2,760,255; 2,784,955; and 2,719,708. The said agreement contains the following paragraphs, alleged by the Defendant to constitute a misuse of patents:

> "3. COMPTON hereby grants to JOY under the Licensed Patents, and upon the terms and conditions herein stated, an exclusive license, subject only to that one certain non-exclusive license heretofore granted to Salem Tool Company under United States Patent Nos. 2,719,708 and 2,764,397, with the right to grant sublicenses, to make and have made, lease,

use and sell *throughout the world,* licensed machines and parts and subassemblies of such machines. (Emphasis added.)

"15. During any period for which he is entitled to royalties hereunder COMPTON shall not without JOY'S prior consent engage in any business or activity relating to the manufacture or sale of equipment of the type licensed hereunder, or have any affiliation financial or otherwise with, or give any advice, counsel or assistance to, any other person, firm, company, or entity directly or indirectly engaged in the manufacture or sale of such equipment.

"18. Unless sooner cancelled as otherwise provided herein, the *licenses* granted hereunder shall continue until the expiration or abandonment of the last to expire or to be abandoned of the issued patents and pending patent applications from time to time constituting the Licensed Patents, whichever event occurs later, shall then terminate." (Emphasis added.)

XII. On or about October 23, 1964, Charles E. Compton and Compton Development Company entered into an agreement with Joy Manufacturing Company, under the terms of which Joy Manufacturing Company paid to Compton a lump sum of Four Hundred and Sixty-Eight Thousand Dollars ($468,000.00) in return for a release of any and all further royalties payable under the original exclusive license agreement of August 1, 1960.

XIII. On June 2, 1965, Joy Manufacturing Company sold its entire auger business and its rights under

the United States Letters Patent identified in the eleventh finding above to Polan Industries, Inc., together with sole right at its own expense and direction to assert and defend any and all patent rights granted under the sales agreement to the extent that such rights are used in the auger business, and to prosecute any infringement of said patents and in so doing to use Joy's name as a nominal party plaintiff. Under the terms of said agreement, Polan paid to Joy a lump sum down payment and was obligated to pay to Joy a percentage of all sales of equipment by the purchased business, whether or not patented, as part consideration for the sale of the business.

XIV. Polan Industries, Inc. and Joy Manufacturing Company entered into a supplemental letter agreement whereby the percentage payments provided for in the original agreement of June 2, 1965 were replaced by a lump sum payment. The lump sum payment provided for in said agreement is due and payable regardless of the outcome of the present action.

CONCLUSIONS OF LAW

I. None of the patents involved in this Civil Action is invalid or unenforceable by reason of misuse of the monopoly granted thereby.

Defendant maintains that the provisions of Paragraph 18 of the Joy-Compton agreement of August 1, 1960 (Exhibit A attached to Defendant's Motion for Summary Judgment) constitutes a misuse of patents by virtue of the fact that payment of royalties extends beyond the term of the patents, citing *Brulotte v. Thys,* 379 U.S. 29, 13 L. Ed. 2d 99, 85 Sup. Ct. 176 (1964) and

Technograph Printed Circuits, Ltd. v. Bendix Corporation, 218 F. Supp. 1 (D.C. Md. 1963). It is noted, however, that Paragraph 18 provides for the granting of a plurality of licenses, one under each of the patents. Furthermore, when any one of the patents expires, the license under that patent automatically expires. This is apparent from Paragraph 4(c) of the Joy-Compton agreement of August 1, 1960 which provides that after the first-to-issue Patent No. 2,562,841 expires, royalties shall be payable "on each licensed machine which is sold during said period and which embodies any invention covered by a granted claim in any unexpired patent." Thus, once the patent expires, the license under that patent also expires since no further royalties are payable thereunder. This situation bears little resemblance to the facts set forth in the case of *Brulotte v. Thys, supra,* wherein the royalties were deliberately extended beyond the life of the patent.

Defendant complains of Paragraph 3 of the Joy-Compton agreement of August 1, 1960 recited above on the basis that the license is to make and have made, lease, use and sell "throughout the world" and that the license is extended to unpatented parts and subassemblies of such machines. Defendant contends that "parts and subassemblies of such machines" in Paragraph 3 can only refer to unpatented subject matter. However, Paragraph 4 of the agreement provides that royalties shall be payable only on "licensed machines;" and in Paragraph 2 of the agreement the term "licensed machines" is defined as a machine embodying any or all of the inventions "disclosed and claimed" in any of the licensed patents. The clear meaning of this seems to be that royalties are payable only on those parts and

subassemblies which are covered by the claims of a patent. As regards the expression "throughout the world," this again must be modified by Paragraph 4 of the agreement which provides that royalties shall be payable only on "licensed machines." It is believed that in the absence of a French patent, for example, no royalties would be payable under that agreement as a result of machines manufactured, used or sold in France. Thus, the term "throughout the world" seems to mean that the license is granted only in those countries where patent protection has been obtained.

Defendant complains of Paragraph 15 of the Joy-Compton agreement on the basis that it restrains Compton from engaging in any business or activity relating to the manufacture or sale of "equipment of the type licensed hereunder." The Joy-Compton patent license agreement as originally consummated, however, was part of the sale of a going business. Joy purchased all of the assets of Compton, Incorporated, including furniture, files, inventory, files and records (Deposition of Compton, 1-4-67, page 23). The general rule is believed to be that a contract or covenant not to engage in a particular trade or business is legal and enforceable in connection with the sale of a going business, *American Jurisprudence,* "Monopolies, Combinations, etc.," Sections 58 and 62, Vol. 36, pages 537-539 and 542-543. Thus, the inclusion in an exclusive patent license agreement of a covenant not to compete does not, *per se,* constitute a misuse of patents, when such exclusive license is part and parcel of the sale of a going business.

Actually, the Special Master feels the provision in Paragraph 15 of the Joy-Compton agreement that Compton will not compete in "equipment of the type licensed

hereunder" is superfluous since under the terms of the agreement, Compton gave an exclusive license to Joy without retaining a license to himself and thereby is automatically precluded from competing in equipment of the type licensed under the agreement. This is the case particularly in view of Paragraph 11 of the agreement which provides that Compton will grant exclusive licenses to Joy on patents covering any future improvements on inventions disclosed and claimed in the patents and applications licensed to Joy. When the agreement is considered in its entirety, and in view of the fact that it was coupled with the sale of a going business, no justification is seen for Defendant's contention that the patent monopoly was illegally extended.

The Joy-Polan agreement entered into on June 2, 1965, constitutes the sale of an entire going business, including an exclusive license under the patents in suit which had been paid for in full by Joy. Under the agreement, Joy sold to Polan "its entire auger business" including inventories, work in process, all available jigs, fixtures, patterns, test stands and other items of tooling, all drawings, specification sheets, methods and operation sheets, bills of material sales records, the right to use the trademark "COMPTON," and the exclusive license under the patents in suit. In consideration of Joy's sale and transfer of its auger business, Polan agreed to pay Joy a lump sum and ten percent (10%) of the net selling price of all augers, including repair and replacement parts therefor, made, used or sold by Polan for a period of twenty (20) years. While the patents in suit were part of the assets sold by Joy to Polan, no royalties are payable on the patents as such; and, consequently, the agreement does not constitute a

patent license agreement but rather a sales agreement and an assignment of all rights under certain patents, tantamount to an assignment of the patents themselves. Being an assignment of patent rights rather than a license, the rules applicable to misuse as applied to license agreements do not apply.

The original Joy-Compton agreement was modified by a general release agreement, a copy of which is attached to Plaintiffs' Brief in Opposition to Defendant's Motion for Summary Judgment as Exhibit A. Under the terms of the general release agreement, a flat sum was paid by Joy Manufacturing Company to Charles E. Compton as a substitute for the royalties or other consideration provided for in the original agreement. Likewise, the Joy-Compton agreement was modified by a letter agreement dated July 27, 1967, a copy of which was attached to Plaintiffs' Brief in Opposition to Defendant's Motion for Summary Judgment and marked as Exhibit B. This agreement also provides for a lump sum payment in lieu of payments based upon a percentage of the sales. Since both of these agreements provide for a lump sum payment rather than royalties or payments as a percentage of the sales, the arguments advanced by the Defendant relative to the first two agreements based upon misuse because of the manner in which royalties are payable are obviated. In this respect, a plaintiff may purge itself of misuse by abandoning an illegal practice assuming, arguendo, that the misuse existed in the first place. *Sperry Products, Inc., et al v. Aluminum Company of America, et al,* 171 F. Supp. 901 (D.C. Ohio 1959); *White Cap Co. v. Owens-Illinois Glass Co.,* 203 F. 2d 694 (C.A. 6, 1953); *Sylvania Industrial Corporation v. Visking Corporation,*

132 F. 2d 947 (C.A. 4, 1943). It is believed to be the relationship of the parties now, not prior relationships, which control, at least as regards Plaintiff's right to injunctive relief.

II. United States Letters Patent No. 2,760,255 is not void because of public use of the invention claimed thereby for more than one year prior to the filing of the application which culminated in the issuance of that patent.

Defendant bases his contention of prior public use for more than one year primarily on the direct examination of Charles E. Compton taken in Clarksburg, West Virginia on January 4, 1967, (which testimony was clarified and/or corrected on cross-examination) and the testimony of D. F. Davis, General Manager of the Defendant, taken at the hearing before the Master. Neither the direct examination of Mr. Compton nor the testimony of Mr. Davis was based upon documentary evidence. Both were, in effect, attempting to recall facts which occurred about twenty years ago without the benefit of any records to refresh their recollections. The burden is upon a defendant asserting prior public use to establish it by clear, cogent and satisfactory proof, *McCullough Tool Co. v. Well Surveys, Inc.*, 343 F. 2d 381 (C. A. 10, 1965). A mere preponderance of the evidence is not sufficient; and the proof must be clear and convincing, *Julian v. Drying Systems Co.*, 346 F.2d 336 (C.A. 7, 1965). In the case of *Jones Knitting Corp. v. Morgan*, 361 F. 2d 451 (C.A. 3, 1966), the court, in holding the evidence insufficient to establish prior public use, noted the following factors:

1. The witness, a biased witness, was testifying to a recollection that was approximately 25

years old and concerned a matter which was not then directly related to his particular line of work. (In the present case, Davis was not directly concerned with the Compton mining machine.)

2. There was a lack of any corroborating evidence, nor were any company records produced to corroborate the testimony. (In the present case, Davis had no records.)

3. The witness who testified was not a disinterested witness. (In the present case, Davis was an interested witness.)

Under these circumstances, the court concluded (at 455):

"This leads us to recognize that the asserted 'public use' rests solely upon the oral testimony of Anderson. The fact that the plaintiffs seek to carry their burden solely on the basis of oral testimony is not necessarily fatal to their case. However, because of the nature of this testimony, this Court is under a duty to scrutinize it very carefully. The rationale behind such close scrutiny was cogently stated in 'The Barbed Wire Patent Case,' 143 U.S. at 284-285, 12 S. Ct. at 447:

'We have now to deal with certain unpatented devices, claimed to be complete anticipations of this patent, the existence and use of which are proven only by oral testimony. In view of the unsatisfactory character of such testimony, arising from the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling

them would have them recollect them, aside from the temptation to actual perjury, courts have not only imposed upon defendants [in infringement suits] the burden of proving such devices, but have required that the proof shall be clear and satisfactory beyond a reasonable doubt. Witnesses whose memories are prodded by the eagerness of interested parties to elicit testimony favorable to themselves are not usually to be depended upon for accurate information. The very fact, which courts as well as the public has not failed to recognize, that almost every important patent, from the cotton gin of Whitney to the one under consideration, has been attacked by the testimony of witnesses who imagined they had made a similar discovery long before the patentee had claimed to have invented his device, has tended to throw a certain amount of discredit upon all that class of evidence, and to demand that it be subjected to the closest scrutiny. Indeed, the frequency with which testimony is tortured, or fabricated outright, to build up the defense of a prior use of the thing patented, goes far to justify the popular impression that the inventor may be treated as a lawful prey of the infringer.'"

The testimony of Mr. Davis conflicts with and is contradicted by the testimony of other witnesses, particularly the testimony of the disinterested witness, Mr. Frank Delli-Gatti, Jr. The testimony of Mr. Davis with respect to time was based upon reference to other occurrences also based upon recollection without definite

reference to contemporary records. Mr. Delli-Gatti's testimony, on the contrary, was based upon a contemporary record made by himself or by a subordinate under his direction. His testimony, bolstered by the inferences to be drawn from contemporary trade publications introduced in evidence corroborating the dates to which he testified, has convinced the Master that the application for patents had been timely filed.

III. United States Letters Patent No. 2,760,255 is not void, nor are any of its claims void, for indefiniteness by reason of the use of the words "slit" or "slitting" therein.

The meaning of that word, so used, is to be construed in the total context of the specification and drawings of the patent, and as influenced by the prior art, and as explained in the file contents of the application. So construed, the term "slit" or "slitting" is not indefinite.

Defendant's position on this point is that the terms "slit" and "slitting" as used in the claims of Patent No. 2,760,255 are not intended to embrace and do not embrace notches, triangular cutouts, wedges or the like wherein any substantial amount of material is removed from the disc. Defendant then concludes that unless so construed, the claims must be invalid as being vague and indefinite. This, however, is simply another way of saying that the method employed by the Defendant wherein slightly more metal is removed than shown by the drawings in the patent is not the same or the equivalent of that shown in the patent. This is discussed under Conclusion X below. There is nothing indefinite in the term "slit" *per se*.

IV. United States Letters Patent No. 2,760,255 is not void, nor are any of its claims void, because of the cancellation by the applicant in the course of prosecution of the application, of his claims for the product resulting from the operation of the process covered by the patent.

It is not unusual in the prosecution of applications in the Patent Office for product claims to be withdrawn from an application containing process claims and proceed to final issue on the process claims, as was done here. And no prejudice to the validity of the allowed process claims results from such cancellation.

V. United States Letters Patent No. 2,760,255 is not void, nor are any of its claims void, on the ground of anticipation of the patented device by the showing of the prior art.

All of the prior art patents introduced by the Defendant to show invalidity of Patent No. 2,760,255 (with the exception of Patent Nos. 2,584,415 and 2,610,414) were cited by the Examiner in the prosecution of the application which resulted in the patent. It is apparent from the file history of Patent No. 2,760,255 that it was issued only after a prolonged prosecution in the Patent Office, during which time extensive arguments and counter-arguments were made by the attorney and the Examiner handling the application. It is well established that the burden is on one disputing a Patent Office decision to overcome the decision, and the presumption of validity, by clear and convincing evidence. Furthermore, this presumption of validity is strengthened where the principal references urged against the patent were considered by the Patent Office. 35 USCA 282; *Power*

Curbers, Inc. v. E. D. Etnyre & Co., 298 F. 2d 484 (C.A. 4, 1962); *Marston v. J. C. Penney Co., Inc.*, 353 F. 2d 976 (C.A. 4, 1965). Thus, Defendant's Exhibits 101-106, having already been considered by the Patent Office in a lengthy prosecution, must be presumed to be non-anticipatory of the invention defined by the claims in issue in the absence of clear and convincing proof to the contrary. Defendant has failed to produce such clear and convincing proof. The witness who testified regarding these patents also admitted that he did not read them.

Defendant's Exhibits 107 and 108, comprising Patents Nos. 2,584,415 and 2,610,414 were not cited by the Examiner in the prosecution of the patent in question. While the claims in the Compton patent call for a method of forming a screw conveyor, nothing is said in the prior art patents comprising Defendant's Exhibits 107 and 108 regarding the method by which the screw conveyors shown therein are made. For that matter, very little at all is said about the screw conveyors in the Vanvick patents (Defendant's Exhibits 107 and 108). Defendant maintains that the snowplow screw conveyors shown in the prior-art Vanvick patents were made by a method similar to that described in the Compton patent. However, this is merely speculation; and there is no reason why these conveyors could not have been made by any one of the methods shown in the prior art patents cited against the Compton application. For example, there is no reason why they could not have been made by the method of Gredell (Defendant's Exhibit 101) or the method of Turney (Defendant's Exhibit 102). The conveyors shown in the Vanvick patents do have openings therein. The openings in the conveyor of Patent 2,610,414 are perhaps best shown in Fig. 3; while those of

Patent 2,587,415 are perhaps best shown in Fig. 4. These openings are wider as they progress radially outwardly to form what can be compared to spokes in a wheel. It could be assumed that the openings were made in discs prior to the time that the discs were stretched along a center tube; but it can be assumed equally as well that they were made after the discs were stretched as, for example, by the method of Gredell. In either case, such assumptions must be based on pure speculation since neither of the Vanvick patents discusses the method by which the screw conveyors were formed; and mere speculation should be insufficient to invalidate a patent. As regards Vanvick Patent 2,610,414 cited by the Defendant, the screw conveyor shown to the left of the center of the snowplow in Fig. 1 is, at best, formed from a single disc; while the screw conveyor shown to the right of the conveyor would have to be formed from one and one-quarter discs, an assumption which defeats the Defendant's argument. That is, the logical assumption is that the conveyor shown in the Vanvick patent was formed from a ribbon of metal rather than from discs.

Finally, nothing is given in either of the Vanvick patents regarding the reasons for the relatively wide openings formed in the screw conveyor sections. It can be postulated that the reason for such openings is that the snow conveyed by the screws is passed through a closed chamber where a compressing and jam-up can occur. If such a jam-up occurs, there must be some means for relieving the backpressure created on the screws; and this may be the reason for the openings formed in the conveyor sections, which itself is a matter of speculation. In short, Defendant has failed to show

that the method claimed by the Compton patent in suit is obvious in view of the showings of Patents Nos. 2,-610,414 and 2,587,415.

VI. Summarizing Conclusions I-V, inclusive, Patent No. 2,760,255 is valid.

VII. There being now no contention that any of the claims in United States Letters Patent Nos. 2,760,-624; 2,616,677; 2,764,397; 2,719,029 and 3,083,955 are infringed by the Defendant, Metal Products, Inc., no conclusion with respect to the validity or invalidity thereof needs to be drawn.

VIII. Therefore, no justiciable controversy exists between the parties hereto with respect to the patents identified in Conclusion VII which would justify a declaratory judgment with respect to the validity of such patents.

IX. Patents Nos. 2,594,256; 2,784,955 and 2,719,708 are valid and are admitted to be valid by the Defendant. (See Defendant's Post-Trial Brief, page 36).

X. Claims 1-3, inclusive, and claims 5-10, inclusive, of Patent No. 2,760,255 have been infringed by the Defendant.

Patent No. 2,760,255 relates to a method for forming a screw conveyor wherein a disc is provided with a hole through the center thereof and a plurality of slits extending outwardly from the central hole, one of the slits extending completely to the periphery of the disc and the other slits extending only part way to the periphery. The disc is then placed over a center tube or mandrel and stretched along the tube to form a spiral flight. Either one disc may be formed into a spiral sec-

tion, or a plurality of discs may be secured end-to-end as shown in Fig. 4 of the patent and thereafter stretched into a continuous spiral.

Claim 1 of the patent, which is broad enough to cover the formation of either a single spiral convolution or a plurality of convolutions is representative and reads as follows:

> "1. A method of making a screw conveyor comprising providing a disc having a hole through the center thereof, providing a plurality of slits in the disc extending outwardly from the central hole, one of said slits extending completely to the periphery of the disc, others of said slits extending only part way to the periphery of the disc, disposing the disc about a central shaft, separating generally parallel to the axis of the shaft the edges of the slit extending completely to the periphery of the disc and fastening the thus disposed disc to the shaft to form a screw conveyor."

Defendant contends that there is a difference in the method it employs from that claimed by virtue of the fact that the slits in its discs are wider at the bottom than the top. Nevertheless, they are still "slits" within the purview of the claims; and if they are not "slits" they are the equivalent of the slits defined by the claims in question. Defendant denies that it uses "slits" as called for by the claims, insisting that the discs which it employs use "notches." This, however, is merely a difference in name, form or shape and, therefore, immaterial. *Specialty Equipment & Machinery Corp. v. Zell Motor Car Co., et al,* 193 F. 2d 515 (C.A. 9, 1952); *Sears-Roebuck & Co. v. Jones* 308 F. 2d 705 (C.A. 10,

1962); *Van Der Horst Corp. of America v. Chromium Corp. of America*, 98 F. Supp. 412 (D.C.N.Y., 1951).

XI. Claims 1, 2, 4 and 6, inclusive, of Patent No. 2,594,256 have been infringed by the Defendant.

Defendant's witnesses testified that they had manufactured a center breaker like that shown in Fig. 1 of the Compton Patent 2,784,955 but with the exception of the fact that the head which the Defendant manufactured was fastened to the center tube rather than the spiral conveyor. (See testimony quoted in Plaintiff's Brief at Final Hearing, pages 20-22). The claims in Patent No. 2,594,256 read on the center breaker shown in Patent No. 2,784,955; and the claims are not limited to fastening the center breaker to a spiral conveyor rather than a center tube. And the function and action are the same regardless of the attachment.

XII. Claims 5-11, inclusive, of Patent No. 2,784,955 have been infringed by the Defendant. This patent relates to a type of auger mining head provided with an outer drum having at least one spiral opening extending to the rear thereof to permit the coal which is within the drum to project transversely from the cutter element and engage the face of the bore formed in the body of material as the head rotates and advances. Prior to the development of this invention, there was a tendency of the coal, due to centrifugal force, to be thrown outwardly against the sides of the drum. This would create a "jamming" effect, impeding the conveyance of the coal backwardly to the screw conveyor and severely limiting the efficiency of the mining apparatus. Stated in other words, previous mining heads attempted, by brute force, to force the coal backwardly through the

head. This can be compared with an attempt to force granular material through a pipe. Eventually, it becomes clogged.

Previous to the invention defined by the claims in Compton Patent 2,784,955, holes had been provided in the sides of the drum; however these were believed to be ineffective. It was not until the provision of the helical opens 11 shown in Fig. 6 of the patent that the efficiency of the head could be greatly increased, particularly as regards its ability to penetrate a coal seam rapidly. Defendant's salesman, Mr. Leland Bowers, testified that the Defendant had sold at least one mining machine head identical to that shown in Fig. 1 of Patent No. 2,784,955 with the exception of the bit holders. (See testimony quoted in Plaintiff's Brief at Final Hearing, page 14.) The claims in the patent, however, are not limited to any type of bit holder; and the claims clearly read on Fig. 1 of the patent.

XIII. All claims of Patent No. 2,719,708 have been infringed by the Defendant.

In this respect, Defendant has manufactured new pilot pans covered by the claims of this patent in rebuilding mining machines originally constructed by Compton, Inc. (See testimony quoted in Plaintiff's Brief at Final Hearing, pages 17-20).

XIV. Defendant has realized gains, profits and advantages from said infringements; and if the infringements continue, such benefits will continue to accrue to the Defendant.

XV. By reason of such infringement, the Plaintiffs have sustained damages; and if such infringement

continues the Plaintiffs will continue to sustain damages by reason thereof.

XVI. Plaintiff, Polan Industries, Inc. is entitled to a permanent injunction enjoining further infringement of Patents Nos. 2,719,708; 2,760,255 and 2,784,955 by the Defendant until said patents expire.

XVII. United States Letters Patent No. 2,594,256 expired April 22, 1969, and the inventions covered thereby are, therefore, now public property.

XVIII. Plaintiff, Polan Industries, Inc., is entitled to an accounting for past infringement of the patents in suit.

XIX. Plaintiff, Polan Industries, Inc., is entitled to an award of costs.

WILLIAM FRANK KEEFER
Special Master

Date: March 24, 1970

With this Revised Report the Special Master returns to the Clerk the Official File of Papers which was placed in his hands after entry of the Order of Reference; also all depositions and transcripts of proceedings had before the Master, and all exhibits introduced in evidence.

In executing the order of reference, the Special Master has devoted approximately 150 hours to the service, and has incurred and paid out of his own funds the sum of $91.50, for which he requests reimbursement.

WILLIAM FRANK KEEFER
Special Master

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 15,248

Charles E. Compton,
Joy Manufacturing Company
and Polan Industries, Inc.,
Appellees,

versus

Metal Products, Inc.,
Appellant.

Appeal from the United States District Court for the Northern District of West Virginia, at Fairmont. Sidney L. Christie, District Judge.

(Argued May 13, 1971 Decided December 16, 1971.)

Before SOBELOFF, WINTER, and CRAVEN, Circuit Judges.

William G. Kratz, Jr., (Edward F. Welsh, and Parmelee, Utzler and Welsh on brief) for Appellant, and Thomas H. Murray (Brown, Murray, Flick and Peckham on brief) for Appellees.

CRAVEN, Circuit Judge:

This is an appeal from a decision by the district court that United States Letters Patent No. 2,760,255, owned by appellee Charles E. Compton and exclusively licensed to appellee Polan Industries, Inc., is valid and infringed by appellant Metal Products, Inc. Metal Products also appeals from the district court's decision that the plaintiffs had not misused the patent monopoly granted to Compton under No. 2,760,255 and three other

United States Patents, Nos. 2,594,256, 2,784,955, and 2,719,708.[1] We think that the Patent No. 2,760,255 is invalid for obviousness, 35 U.S.C. § 103. In addition, we think that paragraph 15 of the license agreement between Compton and Joy Manufacturing Company is an unreasonable restraint of trade and constitutes a misuse of the patents by the plaintiffs and that the Joy-Polan agreement unlawfully extends the monopoly granted by the Compton patents, likewise constituting a misuse of the patents.

I

The Compton Patent No. 2,760,255 relates to a highly successful method of manufacturing screw conveyors used in certain types of coal mining operations. When such a screw conveyor is fitted with a leading cutting edge, it forms an enormous drill-like device that can be bored horizontally into the sides of coal-laden hills. Working much like an oversize carpenter's brace and bit,[2] the cutting edge tears and breaks its way through coal deposits while the screw conveyor, ro-

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1. The Special Master found, "There being now no contention that any of the claims in United States Letters Patent Nos. 2,760,624; 2,616,677; 2,764,397; 2,719,029 and 3,083,955 are infringed by the Defendant, Metal Products, Inc., no conclusion with respect to the validity or invalidity thereof needs to be drawn." *Revised Report of the Special Master*, at 16 (March 24, 1970), (Hereinafter cited as *Revised Report*). Therefore we do not consider any contentions relating to the validity, infringement or misuse of these latter five patents.

2. One early screw conveyor manufactured by Compton mined holes five feet in diameter and 102 feet deep, producing up to 800 tons of coal per shaft.

tating on a central shaft, passes the coal out to waiting receptacles.

The use of rotating helical surfaces predates modern civilization.[3] Today, helical devices are employed in a variety of uses—from drilling holes for telephone poles to conveying grain into storage silos. The use of screw conveyors for coal mining is more difficult to accomplish because of larger size, and the tremendous stress created by the passage of tons of coal along its central shaft.

One method used for constructing very large screw conveyors is to connect a series of discs with a central opening, and then stretch the connected discs along a central shaft as in Gredell, Patent 1,738,994 (see appendix, figure 3). Each disc is slit radially and successively connected by being welded to another disc at the slits. The generation of stress at the inner periphery of each disc when stretched out along the central shaft tends to distort the desired helical configuration. The Compton patent relates to an economical method to prevent the stress-generated distortion during the stretching process.

Compton solved the problem by severing the lines of inner periphery stress. He cut a series of yet smaller slits radially from the central opening of the discs (see appendix, figure 1). The only distinction between the Compton method and the method employed by appellant Metal Products is the use of the triangular slots, instead

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3. History records that Leonardo da Vinci employed a screw mechanism in his design of an early flying machine. *W. Durant, 5 The History of Civilization* 219-21 (1953).

of the Compton slits, to relieve distortive stress (see appendix, figure 2). It is to be noted that the Compton "slits" become slots in appearance upon application (see appendix, figure 1).

We think the mere addition of slits (or slots) to relieve metal stress is obvious in light of the prior art. If cutting a disc one (Grendell) enables a metal worker to bend the disc into a helical configuration, it might occur to one skilled in the trade to cut it again further to facilitate bending. Hohlfeld (Figure 4) teaches multiple cuts in strip metal.

Section 103 of the Patent Act of 1952, 35 U.S.C. § 103, invalidates the patent.

> § 103 *Conditions for patentability; non-obvious subject matter.*
>
> A patent may not be obtained though the invention is identically disclosed or described as set forth in section 102 of this title [anticipation], if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

"While the ultimate question of patent validity is one of law . . . the § 103 condition . . . lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the

pertinent art resolved." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

The Patent Office examiner recognized the obvious nature of cutting slits to relieve metal distortion stress when he rejected Compton's first application filed May 26, 1951. In his letter of December 16, 1952, he stated: "No invention is seen in merely providing slits radially disposed around the central hold of the Gredell discs (see appendix, figure 3) to facilitate bending or flexing. It is common to provide slits or slots in the metal working arts to facilitate bending as shown by Hanry, Sibley and Hohlfeld."[4] Among others, the examiner cited the Hohlfeld (German 1924) Patent (see appendix, figure 4) to illustrate the prior use of slits to relieve metal stress. In constructing a helical configuration like that of a screw conveyor, we find no distinction, as Compton and Polan suggest, between starting with discs, or using a ribbon of metal as in Hohlfeld. Given the prior art (*e.g.* Gredell and Hohlfeld), the cutting of slits in a disc to reduce stress in bending would, we think, be obvious to one skilled in the metal working arts. Whether one starts with a disc or a metal strip, the problem is the same: a particular piece of metal must be

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4. It is difficult to understand why the Patent Office relented from its initial position. The file wrapper reveals that Compton responded to the examiner's objections by urging that his method was not *anticipated* by the prior art. See 35 U.S.C. § 102. The language of § 103 clearly states that an invention may be obvious while still not anticipated, and courts have so interpreted the provision. *See, e.g.*, Illinois Tool Works, Inc. v. Sweetheart Plastics, Inc., 436 F.2d 1180, 1183 (7th Cir. 1971). Absence of anticipation may actually suggest obviousness.

changed from one configuration (disc or strip) to another (helix) by distortive stress. If the change is to be successful, undesirable distortive side effects must be eliminated. Hohlfeld and the other prior art teaches the method used by Compton: relieving lines of stress by cutting the metal. Since the principle of cutting lines of stress was known to those skilled in the metal arts as early as 1924, the Compton result is rendered obvious despite the distinction that Compton chose to start with discs rather than strips of metal. "While it is true that patents have frequently been sustained where mechanical expedients were derived from non-analogous arts and so not obvious, this has not been true where what was borrowed was a common and generally known expedient in the mechanical arts." *Monroe Auto Equipment Co. v. Heckethorn Mfg. & Supply Co.*, 332 F.2d 406, 413 (6th Cir. 1964), quoting *Detachable Bit Co. v. Timken Roller Bearing Co.*, 113 F.2d 632, 637 (6th Cir. 1943).

The fact that the Hohlfeld triangular slots compress into slits when wound around a central shaft, and the Compton slits open to triangular slots when stretched along a central shaft, is a distinction without a difference in light of Section 103. *See, Formal Fashions, Inc. v. Braiman Bows, Inc.*, 369 F.2d 536, 538-39 (2d Cir. 1966). Applying the principle to discs (instead of strips) may have required skill, but that does not necessarily support non-obviousness. *Blumcraft v. Citizens and Southern National Bank*, 407 F.2d 557, 559 (4th Cir. 1969). The end result is merely the combination of methods well known in the prior art. *See, Anderson-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969); *Great Atlantic & Pacific Tea Co. v. Super-*

market Corp., 340 U.S. 147, 152 (1952); *Continental Can Co. v. Old Dominion Box Co.*, 393 F.2d 321, 326 (2d Cir. 1986).

Compton and Polan urge upon us the striking financial success of the Compton method and the amount of experimentation required to finally devise the method. The financial success of the patented method is of only secondary importance under the standards of Section 103, *Graham v. John Deere Co., supra* at 17-18, and is not a measure of obviousness. *Blumcraft v. Citizens & Southern National Bank, supra* at 560. Neither is the amount of time spent by Compton in devising the method a controlling factor. "[T]he ultimate question is whether a hypothetical person having ordinary skill in the art would have readily found the same solution when addressing himself to the same problem" *Glass v. Montgomery Ward & Co.*, 387 F.2d 129, 130 (7th Cir. 1967). *See also, University of Illinois Foundation v. Winegard Co.*, 402 F.2d 125, 127 (8th Cir. 1968). We resolve that question against Compton and Polan and reverse the decision of the district court sustaining the validity of the patent.

II

The district court found that three other United States Patents Nos. 2,594,256, 2,784,955 and 2,719,708, which were issued to Compton, were valid and infringed by Metal Products, enjoined any further infringement[5] and ordered an accounting for damages for past infringement. No appeal is taken from the findings of

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5. This injunction did not apply to No. 2,594,256, which had expired.

validity and infringement. However, Metal Products contends that despite validity and infringement the court should have refused to enforce Compton's rights under the patents because Compton had misused its monopoly. The Special Master found no misuse, and the district court affirmed this conclusion. We reverse.

It is well settled that the monopoly granted to the patentee is a limited one, and that, "[T]he use of the patent to secure an exclusive right or limited monopoly not granted by the patent office and which it is contrary to public policy to grant," is forbidden. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492 (1941). It is also clear that when a patentee has used his patent in a manner contrary to public policy, a court may decline to enforce his rights as against an infringer until such misuse has abated. *Morton Salt Co. v. G.S. Suppiger Co., supra.*[6] Metal Products points to three provisions in the 1960 license agreement between Compton and Joy Manufacturing Company which it claims constitute a misuse of the patent monopoly.

The first claim is that paragraph 18 [7A] extends the patent monopoly beyond its legal time limit, thereby

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6. *Accord* B.B. Chemical Co. v. Ellis, 314 U.S. 495 (1941), Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249 (1945), Brulotte v. Thys Co., 379 U.S. 29 (1964). *See generally,* J.P. Anderegg, *Misuse of Patents* in *The Encyclopedia of Patent Practice and Invention Management* at 587.

7A. Paragraph 18 reads as follows:

> Unless sooner cancelled as otherwise provided herein, the licenses granted hereunder shall continue until the expiration or abandonment of the last to expire or to be abandoned of the issued

constituting a misuse, *Brulotte v. Thys Co., supra* n.6. We think a reading of the agreement as a whole supports the conclusion of the Special Master to the contrary. Since Sections a, b and c of paragraph 4[7B] specifically refer to royalties to be paid at different dates (although the copy introduced into evidence leaves the amounts blank) and since the expiration of a specific patent seems to mark some change in royalty rates, the more

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patents and pending patent applications from time to time constituting the Licensed Patents, whichever event occurs later, and shall then terminate.

7B. Sections a, b and c of paragraph 4 read in part as follows:

Joy shall pay royalties to Compton as follows,

* * * * * * *

(a) For the period of 5 years from the effective date hereof through July 31, 1965, an earned royalty of of the net selling price, as defined below, on each Licensed Machine which is sold during said period. . . .

(b) For the period of 3 years from August 1, 1965 through July 31, 1968, being the expiration of said patent No. 2,562,841, an earned royalty of of the net selling price, as defined below, on each Licensed Machine which is sold during said period. . . .

(c) For the period beginning August 1, 1968 through the remaining life of the license granted under paragraph 3 of this agreement, an earned royalty of of the net selling price, as defined below, on each Licensed Machine which is sold during said period and which embodies any invention covered by a granted claim in any unexpired patent or an allowed claim in any pending application of the Licensed Patents.

logical reading of the contract as a whole is that, "Paragraph 18 provides for the granting of a plurality of licenses, one under each of the patents. Furthermore, when any one of the patents expires, the license under that patent automatically expires." *Revised Report* at 7. The defendant's second contention is that paragraph 38 of the Joy-Compton agreement constitutes a misuse in two respects: it purports to grant an exclusive license throughout the world when Compton did not own patents throughout the world and it seeks to grant a license with respect to unpatented "parts and subassemblies" of licensed machines. With regard to these contentions the Special Master found,

> [P]aragraph 4 of the agreement provides that royalties shall be payable only on "licensed machines" and in Paragraph 2 of the agreement the term "licensed machines" is defined as a machine embodying any or all of the inventions "disclosed and claimed" in any of the licensed patents. The clear meaning of this seems to be that royalties are payable only on those parts and subassemblies

---

8. Paragraph 3 reads in part:

> Compton hereby grants to Joy under the Licensed Patents, and upon the terms and conditions herein stated, an exclusive license. . . with the right to grant sublicenses, to make and have made, lease, use and sell throughout the world, Licensed Machines and parts and a subassemblies of such machines.

Paragraph 2(a) defines "Licensed Machine" as, "[A] machine embodying any or all of the inventions disclosed and claimed in any of the 'Licensed Patents'. . ." and the "Licensed Patents" were the patents under which the licenses were given.

> which are covered by the claims of a patent. As regards the expression "throughout the world," this again must be modified by Paragraph 4 of the agreement which provides that royalties shall be payable only on "licensed machines'. It is believed that in the absence of a French patent, for example, no royalties would be payable under that agreement as a result of machines manufactured, used or sold in France. Thus, the term "throughout the world" seems to mean that the license is granted only in those countries where patent protection has been obtained. *Revised Report,* at 7-8.

Although paragraph 3 of the agreement is ambiguous, it is clarified by paragraphs 2 and 4, and we think the conclusion of the Special Master, adopted by the district court, is not erroneous. Since the payment of royalties is limited to patented items where patent protection exists, paragraph 3 creates no unlawful extension of the patent monopoly.

Paragraph 15 of the license agreement states:

> During any period for which he is entitled to royalties hereunder Compton shall not without Joy's prior consent engage in any business or activity relating to the manufacture or sale of equipment of the type licensed hereunder, or have any affiliation financial or otherwise with, or give any advice, counsel or assistance to, any other person, firm, company, or entity directly or indirectly engaged in the manufacture or sale of such equipment.

Metal Products claims that by requiring Compton not to engage in any activity relating to the manufacture or

sale of equipment of the type licensed, the plaintiffs have misused the patent monopoly. We agree.

The plaintiff contends that this paragraph restricts Compton from competing only with respect to the licensed devices, which he was precluded from doing anyway since he granted an exclusive license. We cannot agree that paragraph 15 is so restrictive. Whether or not "equipment of the type licensed" refers to mining equipment in general or just to augers, the use of the word "type" indicates clearly that more than a restriction upon the specific machines embodying the licensed patents was contemplated. In addition, this restriction is for as long as royalties were to be paid, which is until the last patent expires, or 1980. Other patents expire before then and one has already expired. Yet Compton has agreed not to compete for 20 years even with respect to his patents which have expired and entered the public domain. Furthermore, there is no restriction as to territory in which Compton is not to compete.

No citation is necessary for the proposition that such an agreement, standing alone, would violate the common law prohibition against agreements in restraint of trade as well as Section 1 of the Sherman Act, 15 U.S.C. 1, were it not for the limited exception carved out by the patent laws. However, a patentee is not allowed to extend the monopoly granted him beyond the exclusive right to make, use, and vend the device described in the patent for the term of the patent. *Morton Salt Co. v. G.S. Suppiger Co., supra, Ethyl Gasoline Corp. v. United States,* 309 U.S. 436 (1940). Here, the agreement that Compton was not to compete with respect to the type of equipment licensed meant that

Compton also agreed not to compete with regard to equipment which may not have embodied any of his patents. In addition, by agreeing not to compete so long as royalties were due, Compton, in fact, agreed not to compete with regard to equipment embodying expired patents. In both of the above aspects, the agreement falls outside the limited monopoly granted by the patent laws, because in exclusively licensing his patents, the patentee himself could neither require non-competition beyond the term of the patents nor as to items not covered by the patents. *Transparent Wrap Machine Corp. v. Stokes and Smith Co.*, 329 U.S. 637, 644 (1947). We think that by agreeing to restrictions on his own competition which he could not compel of others, the patentee has extended the monopoly granted by the patent laws beyond its legal bounds, and that this extension constitutes a misuse of the patent. We agree with the statement of the court in *McCullough v. Kammerer Corp.*, 166 F.2d 759, 762 (9th Cir. 1948), that "The public, in a system of free competition, is entitled to have the competition of other devices with a patented device and here it is against that public's interest to use the patent to suppress such competition."

The Special Master, however, felt that the Joy-Compton agreement was part of the sale of a going business, and that paragraph 15 did not constitute a misuse of the patents because it was a valid convenant not to compete. He stated, "[A] contract or covenant not to engage in a particular trade or business is legal and enforceable in connection with the sale of a going business." *Revised Report*, at 8. We do not think the record supports this view of the agreement, especially since the parties themselves apparently viewed it as a

license, not as a contract for the sale of a business.[9] However, assuming that the standard by which this covenant is to be judged is that of covenants not to compete ancillary to the sale of a business, we think that this paragraph is an unreasonable restraint of trade. It is true that, in general, covenants not to compete which are reasonable with regard to time and space and are reasonably necessary to protect the purchaser's investment are valid, but it is equally true as a general proposition that covenants not to compete which are unlimited as to space or time are invalid and unenforceable. *The Oregon Steam Navigation Co. v. Winsor*, 87 U.S. (20 Wall.) 64 (1873). We think that even if paragraph 15 were clearly a covenant not to compete ancillary to the sale of a going business, which it does not appear to be,[10] it would be an unreasonable restraint of trade. The need of Joy to protect its investment does not outweigh the public's right under our system to expect competition and the benefits which flow therefrom, and the total withdrawal of Compton from the mining machine manufacturing business, or even from the auger manufacturing business, everywhere in the world for a period of 20 years unreasonably lessens the competition which the public has a right to expect, and constitutes misuse of the patents.

---

9. The agreement is termined a "License Agreement" and states, "[C]ompton desires to grant and Joy desires to acquire a license under each and all of the United States and Foreign patents. . . ." In addition, paragraph 3, *supra* n. 8, states that Compton grants Joy an exclusive license.

10. See n. 9, *supra*.

III

Joy has purported to sell its rights under the United States patents licensed to it by Compton to plaintiff Polan Industries.[11] While we think that any misuse of of the patents created by the royalty provisions of this agreement has been cured by the subsequent agreement whereby Polan agreed to pay Joy a lump sum payable in four years, we think that the Joy-Polan agreement still suffers from defects constituting a misuse.

By this agreement, continuing until 1985, Joy has attempted to grant to Polan exclusive rights as to augers

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11. The relevant portions of the Joy-Polan agreement are:

> 1. Joy hereby sells, transfers and assigns to Polan its entire Auger business consisting of the following property and all rights appertaining thereto, and Polan hereby purchases the same:
>
> * * * * * * *
>
> D. The exclusive right to make, use, sell, lease, service, repair and rebuild Augers throughout the world incorporating therein all of the inventions described and claimed in any and all of the United States patents listed in Schedule B attached hereto; subject, however, to the nonexclusive rights heretofore granted by Charles E. Compton to Salem Tool Company under United States Patents Nos. 2,719,708 and 2,764,397. The exclusive right herein granted to Polan shall be for the full remaining term of each of the patents listed on Schedule B.
>
> 2. For the purpose of this agreement the term "Auger" shall mean an auger machine, including repair and replacement parts therefor, of that general type formerly manufactured and sold by Compton, Inc., of Clarksburg, West Virginia.

of the general type formerly manufactured by Compton. This would include augers not covered by patents and augers whose patents had been expired for five years. The patent law does not give Joy this power, *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 689 (1944); and we think that any attempt to control unpatented augers would run afoul of the antitrust laws. Likewise, the patent law does not give Joy the power to grant exclusive rights to repair and rebuild even patented augers, *Avo Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961).

The Special Master found that, "While the patents in suit were part of the assets sold by Joy to Polan, no royalties are payable on the patents as such and, consequently, the agreement does not constitute a patent license agreement but rather a sales agreement and an assignment of all rights under certain patents, tantamount to an assignment of the patents themselves. Being an assignment of patent rights rather than a license, the rules applicable to misuse as applied to license agreements do not apply." *Revised Report*, at 9. We disagree. Although we think that the fact that 10 percent of the net selling price of each auger sold by Polan was payable to Joy during the life of the agreement makes it abundantly clear that the parties intended the patents to be licensed, it is true that finally a lump sum was agreed upon. This makes no difference, for even if this agreement is termed an assignment of rights under the patents instead of an exclusive sub-license (if there is a difference in this fact context) Joy could not assign more than it had. It did not have the power to assign to Polan the exclusive right to build augers not covered by

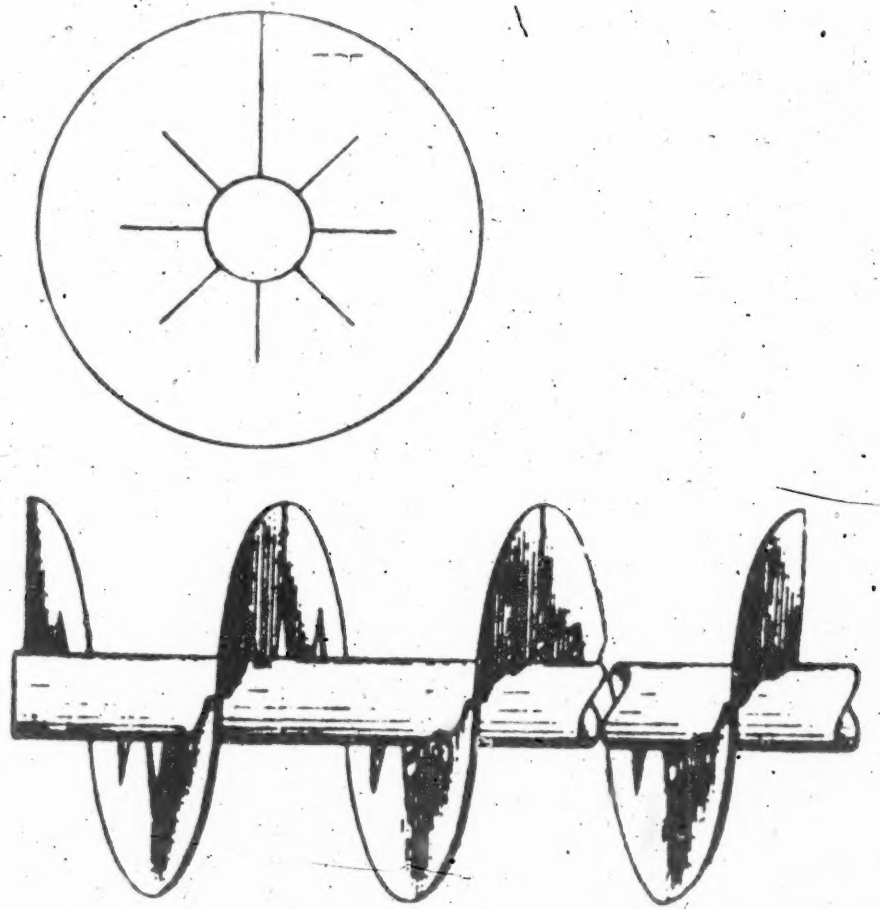
the patents, to repair and rebuild augers even covered by the patents, and to do both until 1985, five years after all patents had expired. Therefore, these sections of the Joy-Polan agreement constituted a misuse of the Compton patents.

Because of the misuse of Compton patents in the Joy-Compton and Joy-Polan agreements, we reverse the district court's decision to enforce the plaintiffs' rights under the Patents Nos. 2,594,256, 2,784,955, and 2,719,708. Plaintiffs are entitled to no accounting for past damages. The district court will withhold its injunction until misuse has abated.

REVERSED.

APPENDIX TO OPINION OF
THE COURT

Figure 1. - Compton Patent 2,760,255



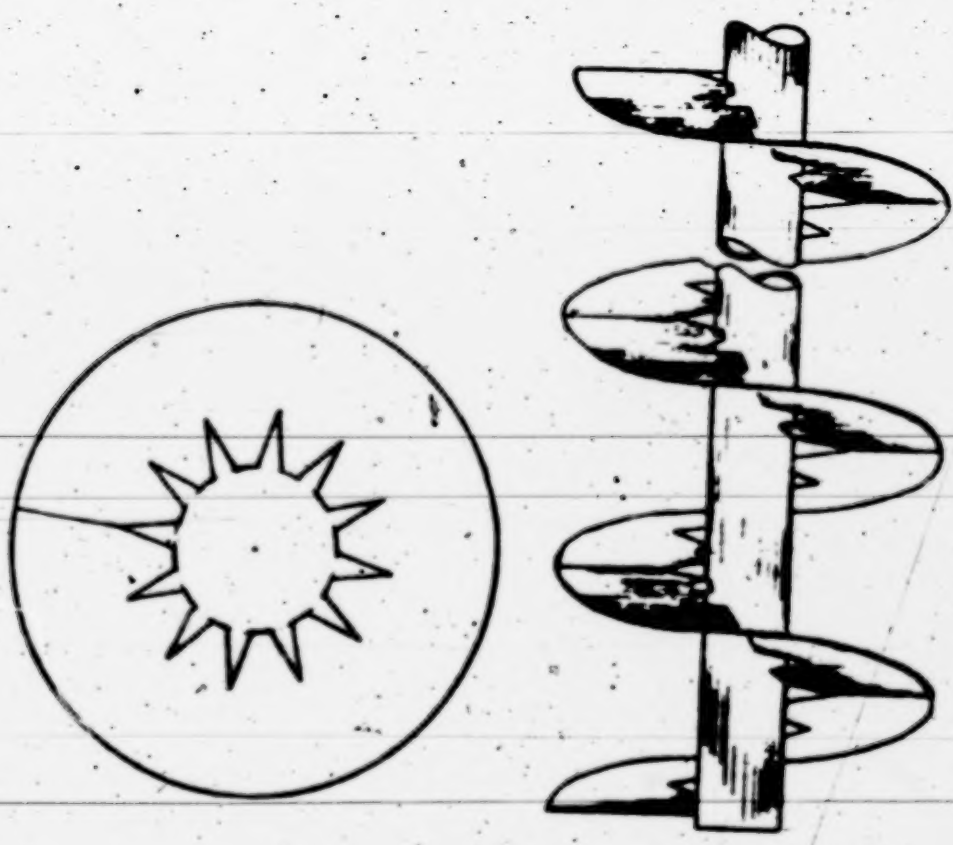


Figure 1. - Gredell Patent 1,738,994

(Prior art) 3 (9)

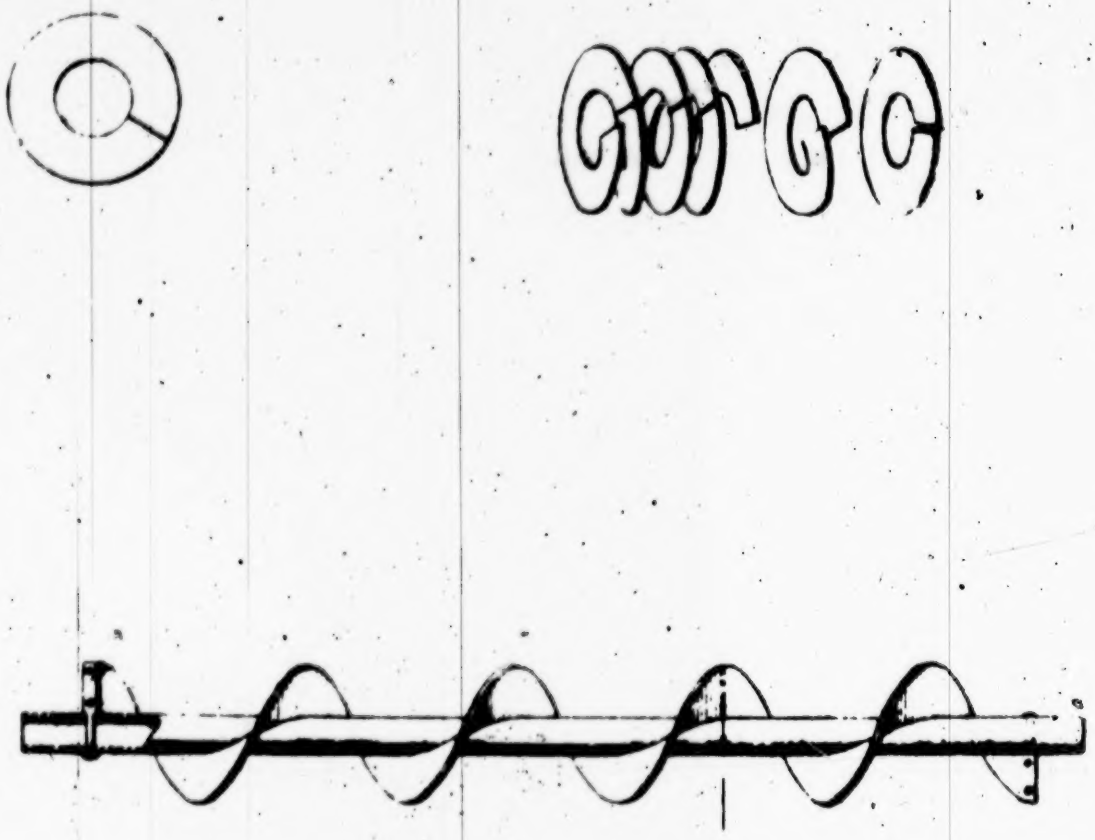
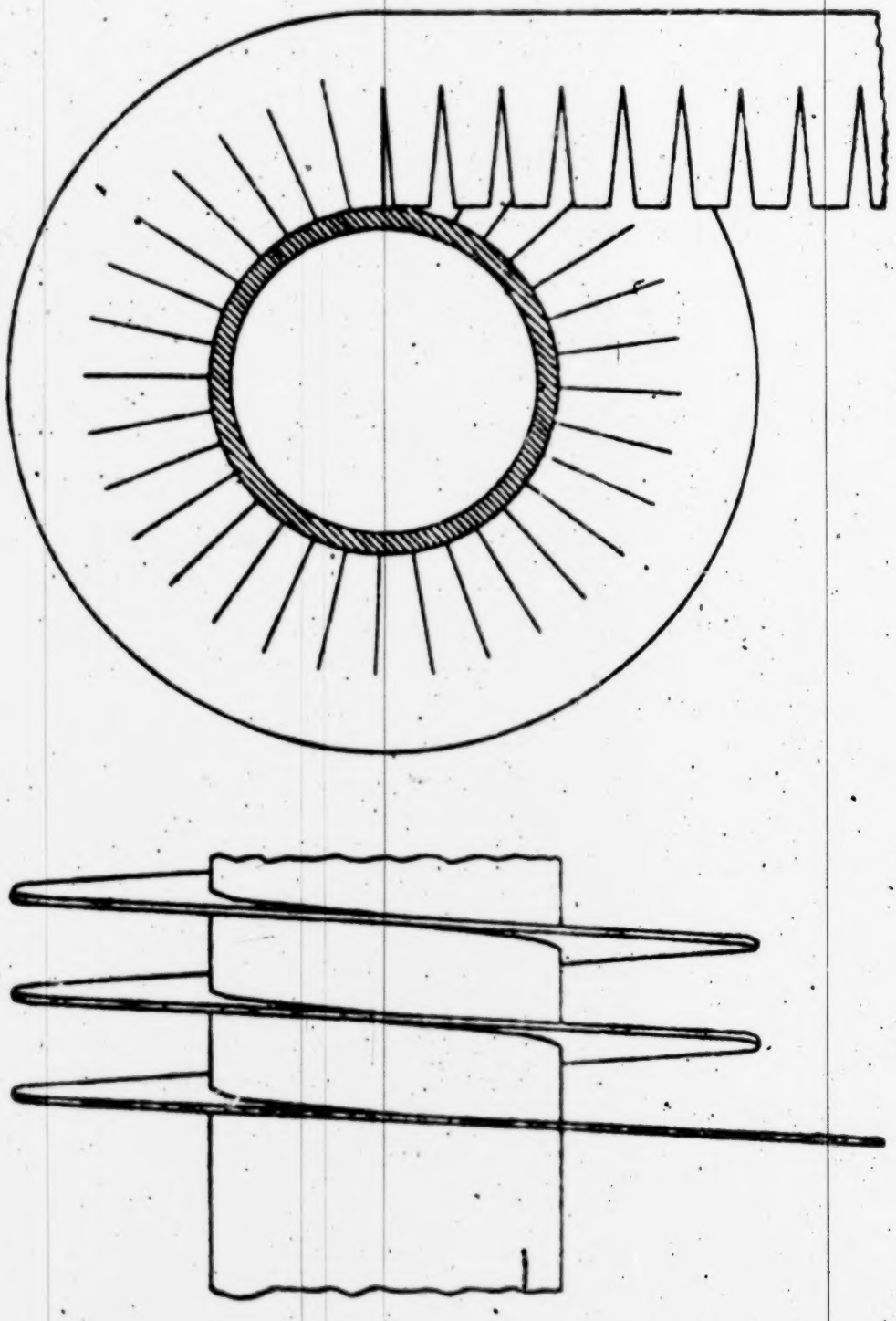


Figure 4. - Hohlfeld (German) Patent 392,346

(Prior art) 914



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IN THE

Supreme Court of the United States

OCTOBER TERM, 1972

NO. 71-1338

CHARLES E. COMPTON and
POLAN INDUSTRIES, INC., Petitioners
v.
METAL PRODUCTS, INC., Respondent

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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OPINIONS BELOW AND JURISDICTION

The opinions below and the basis for this Court's jurisdiction are set forth in the petition (Pet. 2) and appendices (Pet. App. 17-67).

QUESTIONS PRESENTED

The questions presented in petitioners' brief do not accurately state the issues for review in that they are not "expressed in the terms and circumstances of the case" as required by U.S. Sup. Ct. R. 23.1 (c). Pursuant to U.S. Sup. Ct. R. 40.3, respondent presents the following questions:

I. Can patent license agreements, which are otherwise illegal in that they unlawfully extend patent monopolies, be found to be lawful because they either

(a) are ancillary to the sale of a business; or

(b) are characterized as assignments rather than licenses?

Questions Presented.

2. If the answer to 1(a) is yes, did the Court below err in finding that even if the license be regarded as ancillary to the sale of a business, the covenant not to compete for a period of 20 years contained in the Compton-Joy agreement, constitutes an unreasonable restraint of trade?

3. If the answer to 1(b) is yes, did the Court below err in finding that even if the Joy-Polan agreement be regarded as an assignment, the grant of exclusive rights under both patented and unpatented subject matter for a period of five years beyond the life of any of the patents, nevertheless constitutes a misuse of the patents?

4. Did the Court err in finding patent 2,760,255 invalid because of obviousness under the provisions of 35 USC 103?

STATEMENT OF THE CASE

Respondent concurs in petitioners' statement except as to the completeness of the statements characterizing the findings of the Court of Appeals.

1* The Court of Appeals found obviousness in view of *all* the prior art before it, including the reference patents to Henry, Sibley, Hohfeld and Gredell. The Court concluded that it was an obvious mechanical expedient to cut metal to relieve lines of stress. (Pet. App. 47).

2* The Court of Appeals *first* found that paragraph 15 of the Compton-Joy agreement (the covenant not to complete) was *not* ancillary to the sale of a going business, and *then* went on to find that the restriction was an unreasonable restraint of trade even assuming it was in connection with the sale of a business. (Pet. App. 55-56).

3* The Court of Appeals *first* found the Joy-Polan agreement to be a license agreement and the subject patents misused, *then* went on to find that even if the license agreement was an assignment, it made no difference so far as misuse is concerned. (Pet. App. 57-59).

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* Numbers correspond to petitioners' numbered paragraphs. (Pet. 7).

ARGUMENT

I

Petitioners Have Failed to Comply With U.S. Sup. Ct. R. 23.1(e).

Petitioners' statement of the case (Pet. 6-7) does not contain all that is material to the consideration of the questions presented, as required by Rule 23.1(e). The statement contains only a bald summary history of the proceedings below without discussion of the material facts necessary to consideration of the questions presented.

II

Petitioners Have Failed to Comply With U.S. Sup. Ct. R. 19.

There is no showing of any kind that the decision of the Court of Appeals gives rise to one of the reasons set forth in Rule 19.1(b) or otherwise demonstrates any compelling reason for this Court to exercise its discretion.

A. THE COURT OF APPEALS DECISION ON PATENT MISUSE.

The Court of Appeals decision on the misuse issues presented is solidly based upon a long line of decisions of this Court. *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), *Transparent-Wrap Machine Corp. v. Stokes and Smith Co.*, 329 U.S. 637 (1947), *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945), *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944), *B.B. Chemical Co. v. Ellis*, 314 U.S. 495 (1941), *Morton Salt Co. v. G. S. Suppiger Co.*,

314 U.S. 488 (1941), *Ethyl Gasoline Corp. v. United States,* 309 U.S. 436 (1940), *The Oregon Steam Navigation Co. v. Winsor,* 87 U.S. (20 Wall.) 64 (1873).

Petitioners set forth their reasons for granting the writ in numbered headings. Reason number 1 (Pet. 8) cites no authority of any kind.

Reason number 2 (Pet. 10) deals with the definitions of repair, reconstruction and rebuild. The issue discussed by petitioners is wholly irrelevant and in no way formed the basis for the Court of Appeals decision.

Reason number 3 (Pet. 12) purports to deal with the issue as to whether or not a misuse can occur if the unlawful license agreement is in connection with the sale of a business. No authority of any kind is cited by petitioners under this heading.

Reason number 4 (Pet. 13) also purports to discuss the misuse issue as it relates to restrictive covenants in connection with the sale of a business. No cases relating to patent misuse are cited. No cases of this Court are cited.

B. INVALIDITY OF PATENT 2,760,255.

Reason number 5 (Pet. 14) attempts to show that the Court of Appeals did not understand the patent and the prior art. The opinion below clearly demonstrates that the Court of Appeals understood the subject matter completely. (Pet. App. 43-49). Petitioners raise no question of law. No authorities of any kind are cited.

CONCLUSION

The decision of the Court of Appeals is based upon cases decided by this Court. Petitioners cite no authority from this Court in connection with the misuse issues or invalidity of patent 2,760,255. No conflict among the circuits is shown. No inconsistency is established as between the Court of Appeals decision and any decision of this Court or any statute or the Constitution. There is, in short, a total failure to show any reason as set forth in Rule 19 for granting the writ. For these reasons respondent prays that the petition be denied.

Respectfully submitted,

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